

The Student Loan Interest Elimination Act

TITLE I—LOAN MODIFICATION AND REFINANCING FOR EXISTING FEDERAL STUDENT LOANS

SEC. 101. PROGRAM AUTHORITY.

- Amends Section 451(a) of the Higher Education Act of 1965 to allow Direct Loans to be disbursed to student loan borrowers after using funds available from the Education Affordability Trust Fund, in accordance with section 494A of the bill.

SEC. 102. PROGRAM FOR THE LOAN MODIFICATION OF ELIGIBLE FEDERAL DIRECT LOANS, AND REFINANCES OF OTHER FEDERAL STUDENT LOANS.

- Modifies, without any action from the borrower, the terms of federal direct loans so that beginning on July 1, 2024, no more interest will accrue on the loan. Also allows the borrower to opt out of the refinancing.
- Directs the Secretary of Education to establish and implement a Federal Direct Consolidation Loan for eligible non-federal direct loans (Perkins, FFEL, Public Health Service Loans). The Federal Direct Consolidation Loan will be equal to the sum of the unpaid principal, accrued unpaid interest, and late charges of the eligible non-Federal direct loan. The Secretary shall pay the holder of the non-Federal direct loan to discharge the borrower from any remaining obligation and shall issue a new Federal Direct Consolidation Loan to the borrower for the same amount, with a zero-percent interest rate. The new Federal Direct Consolidation Loan will not have an origination fee and will have no impact on the borrower's progress to forgiveness through PSLF or an income-driven repayment plan.
- Requires the Secretary to submit a report within a year to the authorizing Congressional committees on the total number of borrowers whose loans have been modified or refinanced and the number of these borrowers who are delinquent in making payments on the loans.

TITLE II—TERMS AND CONDITIONS FOR NEW FEDERAL STUDENT LOANS

SEC. 201. APPLICABLE RATES OF INTEREST FOR LOANS MADE ON OR AFTER JULY 1, 2024.

- Creates a tiered interest rate for student loan borrowers who have loans originating on or after July 1, 2024.
- Borrowers with a total adjusted available income that is not more than 400 percent of the applicable area median income will have a zero-percent interest rate on their student loans.
- Borrowers with a total adjusted available income between 400 percent and 500 percent of the applicable area median income will have a one-percent interest rate on their student loans.
- Borrowers with a total adjusted available income between 500 percent and 600 percent of the applicable area median income will have a two-percent interest rate on their student loans.
- Borrowers with a total adjusted available income between 600 percent and 700 percent of the applicable area median income will have a three-percent interest rate on their student loans.
- Borrowers with a total adjusted available income of more than 700 percent of the applicable area median income will have a four-percent interest rate on their student loans.

SEC. 202. TERMINATION OF INTEREST SUBSIDIZED LOANS.

- Eliminates new Federal Direct Subsidized Stafford Loans.

SEC. 203. ANNUAL AND AGGREGATE LOAN LIMITS.

- Ties the annual student loan limits for future years to inflation.

TITLE III – TRUST FUND

SEC. 301. SUPPLEMENTAL FEDERAL PELL GRANT PROGRAM.

1. Allows the Secretary of Education to use excess amounts of funds in the Trust Fund to carry-out a Supplemental Pell Grant Program. When the Secretary elects to do this, each student that receives a Federal Pell Grant for that award year will receive an additional Federal Pell Grant based on the percentage of their original Pell Grant. The neediest Pell Grant recipients will receive a higher Supplemental Pell Grant. The Supplemental Pell Grant can be less than the minimum Federal Pell Grant award and

it may exceed the total maximum Pell Grant award for that year. It will not impact the future Pell Grant awards that a student may be entitled to.

SEC. 302. USE OF FUNDS FROM THE REPAYMENT OF FEDERAL STUDENT LOANS.

- Directs the Secretary of Education to deposit all payments made on student loans into the Education Affordability Trust Fund. The Trust Fund Board shall transfer the profits from the investments of the Trust Fund to the Secretary of Education, to pay for the administrative costs of the Department of Education in making loans under part D. In order to build the amount in the Trust Fund, the Secretary of Education will be limited to a certain percentage of the profits that will increase as the Trust Fund accumulates more profits. For the purposes of the Trust Fund, 'profits' means the amount that the return on investment from bond investments made by the Trust Fund exceeds the amount repaid on loans and deposited into the Trust Fund.
- If the amounts transferred to the Secretary of Education are more than the amount needed for the Department of Education to pay for the administrative costs of implementing the federal student loan program, the Secretary of Education may use the excess amounts to carry out the Supplemental Federal Pell Grant Program or for the Postsecondary Student Success Program authorized under part B of title VII. Institutions of Higher Education are only eligible for the Postsecondary Student Success Program if the average cost of tuition has not increased by more than three percent over the last three years and if the institution's endowment fund is under \$100 million.
- The Secretary of Education will be required to report to Congress within 180 days of electing to use excess amounts for these purposes.

SEC. 303. EDUCATION AFFORDABILITY TRUST FUND.

- Establishes a 6-member Education Affordability Trust Fund Board. Board members shall serve 6-year terms, staggered such that the terms of 2 members ends every 2 years. The 2 members serving terms that end at the same time must not be members of the same political party and both must be confirmed by the Senate before either may begin serving. This section details the qualifications and disqualifications for board member appointments, compensation, and board member responsibilities.
- Trust Fund assets will be invested in a manner consistent with the investment guidelines adopted by the Board, and will include municipal bonds, bonds issued by the Treasury, other federal bonds, bonds issued by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, or a Federal Home Loan

Bank, international bonds, and corporate bonds. The legislation includes a variety of investment requirements to protect the money in the Trust Fund.

- The Board shall submit a public annual management report to the Secretary of Education, the Secretary of the Treasury, the President, and the Congress not later than 180 days after the end of each fiscal year.

TITLE IV—GENERAL PROVISIONS

SEC.401. IMPLEMENTATION

- The Secretary of Education may waive the application of the master calendar requirements under section 482 of the Higher Education Act of 1965 and the negotiated rulemaking under section 492 of the Higher Education Act of 1965.